

Message Text

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SUBJ: SUGAR TASK FORCE - EVALUATION

REF: A) JAKARTA 2205

B) SURABAYA 0172

1. SUMMARY. TASK FORCE COMPOSED OF 18 MEN REPRESENTING ELEVEN U.S. SUGAR MACHINERY, EQUIPMENT AND SERVICES SUPPLIERS VISITED JAKARTA AND SURABAYA MARCH 3RD THROUGH 8TH. IN JAKARTA, TASK FORCE MET WITH MINISTER OF AGRICULTURE, HIGH LEVEL BAPPENAS AND MINISTRY OF FINANCE OFFICIALS, IBRD PERSONNEL, REPRESENTATIVES OF FOUR PROSPECTIVE PRIVATE SUGAR PROJECTS, DIRECTORATE GENERAL OF ESTATES, (BKU-PNP-GULA) AND AMBASSADOR HOSTED BUFFET DINNER FOR 50 INDONESIAN SUGAR INDUSTRY PERSONNEL. EMBASSY CONSIDERS ENTIRE VISIT OUTSTANDING SUCCESS. SUGAR TASK FORCE WILL SERVE AS MODEL FOR FUTURE MEP PROGRAMS IN INDONESIA. KEY TO SUCCESS WAS CONSIDERABLE ADVANCE HOMEWORK DONE IN UNITED STATES. END SUMMARY.

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2. SUCCESS OF SUGAR MISSION ATTRIBUTED IN LARGE PART

TO HOMEWORK IN U.S. WHICH INCLUDED (A) MEETING OF PARTICIPANTS PROVIDING OPPORTUNITY SORT OUT DIFFERENCES AND AGREE ON COMMON INTERESTS PRIOR TO ARRIVAL IN INDONESIA; (B) FORMATION OF LEGAL ENTITY CONSORTIUM WHICH HAD POSITIVE PSYCHOLOGICAL IMPACT, CREATING SENSE OF UNITY AND AWARENESS OF NEED FOR FOLLOW-THROUGH WHICH PREVIOUS MEP TASK FORCES LACKED; (C) CREATION OF BALANCED COMPOSITION INCLUDING FINANCIAL, ENGINEERING, MANAGEMENT/TRAINING SERVICES, EQUIPMENT SUPPLIERS WHICH ENABLED OFFER OF PACKAGE PROPOSALS AS UNIFIED ORGANIZATION AGGRESSIVELY SEEKING A CONTRACT; (D) PREPARATION OF CAPABILITIES BROCHURE FOR ENTIRE GROUP, TYPICAL MILL PROPOSAL AND COLOR SLIDE SALES PRESENTATION; (E) DRAWING UPON INDONESIAN EXPERIENCE OF SEVERAL MEMBERS OF TASK FORCE ENABLE GROUP TO FORMULATE REASONABLE PROPOSAL OUTLINE BEFORE VISIT RATHER THAN BEGIN RECONNAISSANCE EFFORT AS WAS CASE WITH PREVIOUS MEP TASK FORCES; AND (F) DECISION, CONTRARY TO CONVENTIONAL WISDOM THAT MEP TASK FORCES BE COMPOSED OF ONLY UPPER LEVEL MANAGEMENT, THAT TASK FORCE CONSIST LARGELY OF WORKING LEVEL PERSONNEL WHICH PERMITTED PARTICIPANTS TO COMMIT NECESSARY TIME TO FULL DISCUSSION AND EXPLORATION.

3. THE CONSORTIUM INTENDS PROVIDE FOLLOW UP DEVELOPING FORMAL ORGANIZATION WHICH WILL BE CAPABLE OF REPEATED PRESENTATION IN INDONESIA, AND PERHAPS OTHER COUNTRIES, AS SINGLE CORPORATE ENTITY. CONSORTIUM HAS NAMED PAE/RMI AS ITS REPRESENTATIVE MEMBER IN INDONESIA TO CARRY OUT THIS TASK. PAE/RMI SHOULD ALSO DRAW ON TECHNICAL EXPERTISE OF CONSORTIUM MEMBERS AND AFFILIATES WHO VISIT INDONESIA.

4. VISIT ENABLED EMBASSY DEVELOP KNOWLEDGE POSSIBLE EXPORT OPPORTUNITIES NOT PREVIOUSLY POSSIBLE. GOI DEVELOPMENT PLAN FOR SUGAR INDUSTRY CLEARLY DIVIDED INTO FOLLOWING COMPONENTS:
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(A) PROGRAM OF MAJOR REHABILITATION FOR THREE EXISTING MILLS FUNDED BY IBRD AND TWO BY ADB;
(B) MINOR REHABILITATION OF 28 EXISTING FACTORIES THROUGHOUT THE PNP STRUCTURE, (REHABILITATION PROGRAMS WILL ADD APPROXIMATELY 200,000-300,000 TONS OF CAPACITY); (C) SIX NEW SUGAR PROJECTS (LAND DEVELOPMENT, INFRASTRUCTURE, AND MILLS)

WILL BE UNDERTAKEN WITHIN PNP AREAS ON JAVA; (ONE IN WEST JAVA, TWO IN CENTRAL JAVA, THREE IN EAST JAVA. EACH WILL PRODUCE ABOUT 40,000 TONS OF SUGAR PER YEAR FOR TOTAL NEW CAPACITY OF 240,000 TONS); AND (DSQ SIX NEW SUGAR PROJECTS IN AREAS OUTSIDE OF PRESENT PNP ORGANIZATIONS - ONE IN SOUTH SULAWESI, TWO IN WEST JAVA, THREE IN LAMPUNG (SOUTH SUMATRA). THESE SIX MILLS WILL ADD APPROXIMATELY 480,000 TONS OF SUGAR CAPACITY.

5. COLLECTIVELY THESE PROGRAMS CONSTITUTE EXPORT OPPORTUNITY ESTIMATED TO BE \$700 TO \$900 MILLION. GKU-PNP LEADERSHIP INDICATED INTEREST IN PARTIALLY STANDARDIZING NEW PLANTS WITH TWO OR THREE BEING IDENTICAL. SPECIFICATIONS FOR SIX PNP JAVA FACTORIES CURRENTLY BEING PREPARED AND EXPECTED TO BE COMPLETED BY END OF MARCH. SPECIFICATIONS WILL THEN BE TRANSMITTED BY BAPPENAS AND FINANCE MINISTRY TO GROUP OF PREVIOUSLY IDENTIFIED FINANCIAL INSTITUTIONS AND SUPPLOERS. ONLY THOSE SUPPLIERS CAPABLE OF PROVIDING TOTAL PROJECT PACKAGE, SUCH AS FULTON AND ASSOCIATES, WILL BE INVITED TO BID; AND ONLY THOSE FINANCIAL GROUPS WHO PREVIOUSLY INDICATED WILLINGNESS PROVIDE ATTRACTIVE INTEREST RATE FINANCING PACKAGE WILL BE INVITED PRESENT PROPOSALS. DEADLINE FOR BIDS WILL BE TWO TO TWO AND ONE-HALF MONTHS AFTER ISSUANCE INVITATION, PRESUMABLY MID-JUNE. START-UP TARGET FOR NEW PLANTS IS MAY/JUNE, 1978.

6. PROJECTS OUTSIDE OF EXISTING PNPS ARE SITUATED IN NEW GROWING AREAS AND TIMING OF CALL FOR BIDS UNCLASSIFIED

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IS UNCERTAIN. INITIAL TATE & LYLE FEASIBILITY STUDY NOW RPT NOW DUE FOR COMPLETION IN APRIL AND SECOND DUE IN NOVEMBER, 1975. INVITATIONS TO BID ON THOSE PROJECTS WILL BE ISSUED AS FEASIBILITY STUDIES ARE COMPLETED.

7. JAKARTA VISIT APPEARS TO HAVE SUCCESSFULLY CATAPULTED FULTON AND ASSOCIATES INTO ACTIVE CONTENTION FOR TWELVE PLANNED NEW GOI SUGAR MILLS. SURABAYA SHOW AND SEMINAR SUCCESSFULLY PENETRATED, DEEPLY AND BROADLY, INTO TECHNICAL AND WROKING LEVELS OF INDONESIAN SUGAR INDUSTRY. TASK FORCE PROGRAM CREATED, WE BELIEVE, FAMILIARITY AND ACCEPTANCE OF U.S. PRODUCTS AND CAPABILITY WHICH WILL SERVE AS BASE FROM WHICH US INDUSTRY COULD

CAPTURE IMPORTANT SHARE OF THIS ANTICIPATED \$900
MILLION DOLLAR NEW MARKET.
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